Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
High-Cost Universal Service Support	)	WC Docket No. 05-337

COMMENTS OF HARRISONVILLE TELEPHONE COMPANY

Harrisonville Telephone Company (Harrisonville) hereby files these comments in support of the proposals of the Federal Communications Commission (FCC or Commission) to revise the Local Switching Support (LSS) rules set forth in the Notice of Proposed Rulemaking (NPRM) released recently in the above-captioned proceeding.[1] As explained below, Harrisonville is one of the small incumbent local exchange carriers that has been denied the proper level of LSS assistance for the past several years because of the discriminatory manner in which the current rules have been interpreted. The proposed reforms to the existing rules would eliminate this discrimination and, hence, should be adopted as expeditiously as possible.

Harrisonville is a small telephone company serving approximately 17,500 access lines in southwestern Illinois, including many rural communities. In 2001, Harrisonville exceeded the Dial Equipment Minute (DEM) weighting threshold of 20,000 lines and its 2.5 DEM weighting factor, consequently, was reduced to 2.0 for purposes of calculating LSS. Between 2001 and 2006, Harrisonville's line count remained slightly above 20,000, but never reached 20,500. In 2006, Harrisonville's line count dropped below the 20,000

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[1] *High-Cost Universal Service Support; Coalition for Equity in Switching Support Petition for Clarification*, WC Docket No. 05-337, Order and Notice of Proposed Rulemaking, FCC 09-89 (rel. October 9, 2009).

line benchmark. Its DEM weighting factor, however, was not adjusted upward to the pre-2001 level of 2.5 (the factor assigned to other carriers with 10,001 – 20,000 lines in section 36.125(f) of the FCC's rules).[2] Harrisonville's DEM weighting factor today remains at 2.0.

The Commission adopted the DEM weighting factor assistance program as an effective mechanism for addressing the fact that small incumbent LECs (*i.e.*, those with 50,000 or fewer access lines) generally incur higher per-line switching costs than those incurred by their larger incumbent counterparts.[3] The Commission initiated the program in the 1980's by allowing eligible incumbent LECs to assign a greater portion of their local switching costs to the interstate jurisdiction than larger carriers with the same relative percentage of interstate traffic. The FCC subsequently modified the program in 1998 to require that the support program be financed through explicit payments from the federal universal service fund.[4]

The Commission modified its LSS rules at the outset of the separations freeze in 2001 (specifically, sections 54.301 and 36.125)[5] to ensure that, notwithstanding the freeze on jurisdictional separations factors, interstate allocations of local switching costs would continue to be adjusted downward if an eligible carrier's line count increased

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[2] 47 C.F.R. § 36.125(f).

[3] *See Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd. 8776, ¶ 212 (1997) (*1997 Universal Service Order*). The Federal-State Joint Board on Universal Service also observed that "rural carriers generally serve fewer subscribers relative to the large incumbent LECs, serve more sparsely populated areas, and do not generally benefit from economies of scale and scope as much as non-rural carriers." *Federal-State Joint Board on Universal Service,* Recommended Decision, 12 FCC Rcd 87, ¶ 283 (1996).

[4] *See 1997 Universal Service Order*.

[5] 47 C.F.R. §§ 36.125 and 54.301.

above a DEM weighting benchmark level.[6] The rules have been interpreted to create a "one-way ratchet." That is, if an eligible carrier's access lines increase above and subsequently decrease below a benchmark level, the carrier's LSS assistance would be calculated using the DEM weighting factor associated with its above-the-benchmark line count. As a result, some small carriers with declining access lines suffer not only from reductions in subscriber revenue, but also simultaneous reductions in the amount of LSS assistance they receive. In addition, this interpretation results in the assignment of different DEM weighting factors to carriers serving the same number of access lines.

The NPRM proposes to amend sections 36.125(j) and 54.301(a)(2)(ii) to ensure that in the future the DEM weighting factor assigned to an eligible carrier is based on its access line count for the relevant reporting period, regardless of what the count might have been in prior periods. Harrisonville, therefore, strongly supports the proposed amendments because they will eliminate the existing unwarranted discrimination and restore adequate levels of LSS to those small rural LECs that were affected by the one-way ratchet.

Although the proposed rules would provide meaningful benefits to rural LECs and their customers, they would not burden the federal Universal Service Fund to any significant extent. The record indicates that the additional LSS generated by the changes to the rules would amount to mere tenths of a percent of the overall federal Universal Service Fund.[7]

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[6] *1997 Universal Service Order*. *See also Jurisdictional Separations and Referral to the Federal-State Joint Board*, CC Docket No. 80-286, Report and Order, 12 FCC Rcd 11382 (2001).

[7] *See Jurisdictional Separations and Referral to the Federal-State Joint Board; Federal-State Joint Board on Universal Service*, CC Docket Nos. 80-286 and 96-45, Coalition for Equity in Switching Support Petition for Clarification at n.6 (January 8, 2009).

In light of the hardship that some small rural LECs have experienced under the interpretation of the current LSS rules,[8] Harrisonville believes the reforms to the LSS program must be implemented without delay and should be made effective for the 2008 and 2009 funding years. The impact on Harrisonville's LSS funding by correcting this inequity in the LSS rules is expected to be in excess of $250,000 annually. That additional support will enhance Harrisonville's ability to maintain our ongoing commitment to investing in our network and meeting our carrier of last resort obligations.

For the reasons stated herein, Harrisonville urges the FCC to adopt the revisions to sections 36.125(j) and 54.301(a)(2)(ii) of the FCC's rules proposed in the NPRM and to ensure that the revisions are applied to LSS payments for calendar years 2008 and 2009.

Respectfully submitted,

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[8] *See* NPRM, ¶ 14.